



Financial Affairs Committee

September 17, 1999

1) Opening Business

The meeting was held at ACWA's Office in Sacramento and began at 9:30 a.m.

The next Financial Affairs Committee meeting is scheduled for Wednesday, October 27, 1999 and will be held at McLean Hall at Pardee Reservoir with a tour of the Mokelumne River fish hatchery facilities in the afternoon. A map for the location of FAC meeting will be included with the October FAC meeting notice. A map for the Mokelumne River fish hatchery tour will be provided at the meeting.

2) Reclamation Issues

a) Update on water accounting program (RAIN)

Jim Bjornsen, Reclamation, commented that Reclamation is close to executing a contract with a new software developer to complete the development of the RAIN accounting program. Ron Jacobsma, FWUA, will review the proposal submitted by the software developer prior to contract finalization.

b) Update on 2000 water rates

Jim Bjornsen, Reclamation, noted that the preliminary 2000 water rates will be released on schedule on October 1, 1999. The October 1st release will begin a 60-day review period, after which time the rates will become final. Reclamation provided draft responses to the questions submitted by the CVPWA regarding the 2000 water rates. Reclamation will continue to work with the CVPWA to resolve any outstanding issues relative to FY 2000 rates during the 60-day review period. The CVPWA will provide an overview of the FY 2000 rates at the November FAC meeting to be held at the ACWA conference in San Diego on Tuesday, November 30, 1999.

c) Update on 1998 contractor accountings

Jim Bjornsen, Reclamation, commented that the 1998 contractor accountings are being wrapped up. The deadline for making voluntary payments is approaching and Reclamation has begun the deficit interest calculations.

d) Update on contractor advance payment account reconciliations

Jim Bjornsen, Reclamation, commented that the reconciliation of all contractor advance payment accounts for the period October 1995 to current has been completed. There remains 476 out of 1,315 contractor advance payment accounts to be reconciled for the period prior to October 1995. Jim noted that once the reconciliation process is completed and reviewed by the contractors, the advance payment account balances reported on the monthly contractor statements should be accurate. Ron Jacobsma, FWUA, requested Reclamation ensure that all Restoration Fund payments are accounted for and be consistent with the advance payment reconciliation account results.

e) Other

Accounting for Cross Valley and In-Lieu Pumping Expenditures: The CVPWA has inquired to Reclamation regarding the expenditures associated with Cross Valley and In-Lieu pumping through the State's Banks Delta Pumping Plant. The intent of the inquiry is to shed some light on the nature of the expenditures, and the process used to account for and allocate these expenditures to the affected water contractors. Under the O&M Self-funding agreements, these expenditures are now direct billed to the SLDMWA. Reclamation will work with Tona Mederios, SLDMWA, to ensure the Authority is provided with the information necessary to allocate these expenditures appropriately among its users.

3) FY 2002 Budget Workshops – Group Discussions

The Fresno Area Office and Central California Area Office (Folsom) budget workshops have been concluded. The Shasta Area Office budget workshop is scheduled for Friday, September 24, 1999 from 10:00 a.m. to 12:30 p.m. Reclamation plans to hold a Regional budget workshop in October that will consolidate the information and feedback from the three Area Office workshops.

Overall, the budget workshops appear to be going well. They have been well attended and Reclamation has been providing useful information to the contractors. The Fresno and Central California Area Office Budget workshops are being followed up by letters from the applicable Water Authorities and other interested water and power contractors commending Reclamation for their efforts, offering suggestions for further improving the flow of budget information to the contractors, and providing additional input regarding the prioritization of Reclamation's FY 2002 O&M activities. A similar letter will be prepared subsequent to the Shasta Area Office budget workshop.

4) FY 1997 PUE True-up Adjustment

There was a brief discussion regarding the appropriate treatment for the component of the FY 1997 PUE true-up adjustment direct-billed to the SLDMWA (the FY 1997 true-up resulted in a \$1.2 million credit to the Authority). The FAC recommended that the FY 1997 true-up adjustment should be handled in a manner consistent with Historical PUE true-up adjustment covering the period 1984-1995.

On a related note, Reclamation is considering a proposal to sub-allocate the portion of the Historical PUE true-up adjustment allocated to the Cross Valley contractors among that contractor group based on the actual deliveries that occurred during the period on a year-by-year basis (1984-1995). The allocation among all other contractors would remain unchanged. The change was proposed by Ron Jacobsma, FWUA, to address the volatility of year-to-year deliveries among the Cross Valley contractor group and provide for an equitable recovery of these past expenditures.

5) Warren Act Reform Legislation

Ron Jacobsma, FWUA, noted that the FFA is still working on a letter comparing Reclamation's proposed legislative language to the FFA proposal. The FFA plans to schedule a meeting with Reclamation to attempt a compromise between the two proposals.

6) CVP Cost Reallocation Issues

Brice Bledsoe, CVPWA, noted that the Cost Allocation Subcommittee comprised of water and power contractor representatives continue work on a cost allocation proposal. A request to extend the deadline for submission of the proposal to October 15, 1999 has been approved by Reclamation.

Ron Jacobsma, FWUA, noted that Reclamation is making further revisions to the GAO-proposed cost allocation methodology and will be hosting another public workshop upon completion of the revisions.

Correction to August Minutes on Cost Allocation: In the August FAC meeting minutes statements were made that the cost allocation subcommittee would “work with Reclamation to develop evaluation criteria” and “will assist Reclamation in developing the format for the final report”. Those statements were not intended to give the impression that the subcommittee is performing the study with Reclamation, only that the subcommittee plans to provide input regarding the process. Reclamation is solely responsible for the performance and completion of these tasks.

7) Update on Reclamation’s Post 2004 PUE Operations-Options Analysis Workgroup

Chase Hurley, Panoche WD, provided an update on the workgroup’s progress. Chase noted that at the last meeting of the workgroup on September 7, 1999, work continued to refine three proposed alternatives. The workgroup also began the development of a scoring matrix that will be used to rank the three alternatives as part of selecting a preferred alternative for submission in the final report to Reclamation. A representative from RMI was present at the meeting. RMI will be performing various economic analyses and environmental analyses to assist the workgroup in analyzing and selecting the preferred alternative.

Ed Roman, SMUD, commented that SMUD has developed, and forwarded to NCPA for review, a set of Power Contractor Draft Principles for a Description of Western/Customer Integration of Project-Use Loads After 2004 [These are being developed at the request of the Workgroup to explore the potential for establishing a vertically integrated consortium to take the place of PG&E as the power integrator. It is felt that such an entity could avoid many of the fees associated with the newly instituted ISO’s (Independent System Operators).] Under the proposed concept, Reclamation’s project-use loads that are directly connected to the Western/Customer transmission system will be served as non-ISO Grid load within the Western/customer metered subsystem (MSS). Reclamation’s project-use loads outside the MSS will be served over the ISO Grid and will pay the ISO transmission costs and fees associated with that service [unless existing transmission contracts cover them in which case they will pay those specific transmission contract rates].

8) Update on Trinity PUD In-lieu Property Tax Issue

Brice Bledsoe, CVPWA, commented that the CVPWA has agreed to work with Trinity PUD and NCPA to resolve this issue.

9) Other Issues

Year-End Closings: Ron Jacobsma, FWUA, commented on a meeting held on September 16, 1999 with Reclamation to go over Reclamation’s year-end closing procedures for the fiscal year ending September 30, 1999. The main focus of the meeting was to establish procedures for ensuring that the three Authorities, now operating under the O&M self-funding agreements, meet Reclamation’s requirements for the submission of water delivery and payment information and that all associated funds collected by the Authorities are transferred to the Treasury in time to meet the September 30th deadline. Ron circulated a draft memorandum to be distributed to Friant Division General Managers outlining the procedures to be used by its member districts to assist in the closing process.

FY 2000 Rates and 1998 Accountings: Chase Hurley, Panoche WD, suggested that Reclamation include a cover letter with the release of the FY 2000 preliminary water rates directing contractor questions/inquiries first to the Authorities and/or the CVPWA to facilitate an efficient response. Chase’s suggestion was forwarded to Reclamation for consideration.

There being no further business, the meeting was adjourned.